

Message Text

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C O N F I D E N T I A L KINGSTON 4117

E.O. 11652: GDS
TAGS: PINT, PINS, EFIN, JM
SUBJECT: THE IMF AGREEMENT: POLITICAL REPERCUSSIONS

REF: KINGSTON 3945

1. BEGIN SUMMARY: THE DECISION OF THE GOVERNMENT OF JAMAICA TO ADOPT ITS AUSTERITY PROGRAM TOOK COURAGE. NOT ONLY DOES IT INVOLVE THE RISK OF UNREST BUT IT WAS A CONFESSION OF FAILURE OF DEAL EFFECTIVELY WITH ECONOMIC PROBLEMS. THE OPPOSITION JAMAICA LABOUR PARTY (JLP) WILL INEVITABLY SEEK TO CAPITALIZE ON THE DIFFICULTIES THE GOJ WILL ENCOUNTER, BUT THE REAL DANGER WHICH THE GOVERNMENT COULD FACE WOULD COME FROM AN AROUSED AND DESPAIRING PUBLIC. WHETHER THE GOVERNMENT WILL HAVE THE WILL TO IMPLEMENT THE PROGRAM AND THE ABILITY TO CONTROL TROUBLE IS UNCLEAR. MUCH WILL DEPEND ON THE ABILITY OF THE JAMAICANS TO DISCIPLINE THEMSELVES. END OF SUMMARY.

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2. THE DECISION BY THE GOVERNMENT TO ADOPT THE AUSTERITY PROGRAM WHICH IS NECESSITATED BY THE IMF AGREEMENT REQUIRED CONSIDERABLE COURAGE. IT IS CLEAR THAT THE MEASURES ADOPTED WILL RESULT IN AN UNMISTAKABLE FALL IN REAL INCOME AND WILL CONFRONT A SUBSTANTIAL NUMBER OF JAMAICANS WITH HARDSHIP, THE SUBSIDY OF KEY CONSUMER ITEMS NOTWITHSTANDING. THE LONG DELAY IN REACHING FINAL

AGREEMENT WITH THE IMF SUGGESTS NOT ONLY THAT THERE WERE DIVISIONS WITHIN THE PEOPLE'S NATIONAL PARTY (PNP) OVER THE WISDOM OF ACCEDING TO THE IMF'S WISHES BUT ALSO THAT THE RULING PARTY RECOGNIZED THAT ACCEPTANCE MUST ALSO INVOLVE A CLEAR, IF UNSPOKEN CONFESSION OF FURTHER FAILURE TO MANAGE JAMAICA'S ECONOMY WITH ADEQUATE SKILL AND CARE. THAT THE GOVERNMENT MUST ACKNOWLEDGE THAT THE FALL IN REAL INCOME IS THE RESULT, IN LARGE MEASURE, OF ITS OWN PROFLIGACY CAN ONLY ERODE POPULAR SUPPORT OF THE IMF.

3. THE OPPOSITION JLP CAN BE EXPECTED TO SEEK TO CAPITALIZE ON THIS FRESH EVIDENCE OF PNP MISMANAGEMENT. OPPOSITION LEADER SEAGA ISSUED A STATEMENT ON MAY 10 IN WHICH HE CRITICIZED THE GOVERNMENT FOR DOWNPLAYING THE 48 PERCENT INCREASE IN THE "BASIC RATE" -- AT WHICH MANY BASIC CONSUMER ITEMS WERE FORMERLY IMPORTED -- AND THE LACK OF CLARITY AND PREDICTABILITY IN THE TAX PROPOSALS -- SEAGE DUBBED THEM "CHAOTIC". HOW FAR THE JLP IS PREPARED TO GO IN ITS EFFORTS TO FURTHER WEAKEN THE PNP IS DIFFICULT TO PREDICT. ITS WEAKNESS IN THE HOUSE OF REPRESENTATIVES OBVIATES THE LIKELIHOOD OF A MEANINGFUL PARLIAMENTARY CHALLENGE. HOWEVER, AS REAL INCOME SHRINKS, AN ADVERSE PUBLIC REACTION IS VERY LIKELY. THE JLP COULD BE TEMPTED TO USE THE OPPORTUNITY TO EXTEND ITS INFLUENCE AND INCREASE ITS SUPPORT. WE ANTICIPATE THAT THE OPPOSITION WILL RECOGNIZE THE DANGEROUS SITUATION
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WHICH WOULD RESULT FROM A TOO DEMAGOGIC EFFORT TO HEIGHTEN FEELING FOR PARTISAN PURPOSES, BUT WHATEVER KING OF ADVANTAGE THE JLP MAY SEEK FROM THE NEW SITUATION, WANT AND DESPAIR MAY SPREAD SO WIDELY THAT ANTI-GOVERNMENT DEMONSTRATIONS AND CIVIL DISTURBANCES MAY OCCUR WITHOUT INSPIRATION.

4. IF DISTURBANCES DO OCCUR, WE ARE CERTAIN THAT THE GOVERNMENT WILL WORK DILIGENTLY TO BRING THEM UNDER CONTROL. SINCE HIS APPOINTMENT AS MINISTER OF NATIONAL SECURITY, SENATOR DUDLEY THOMPSON HAS TRIED TO IMPROVE THE EFFICIENCY OF THE SECURITY FORCES AND REDUCE LAWLESSNESS. THE JDF HAS SUFFERED A SERIOUS LOSS OF MORALE AND REPUTATION AS A RESULT OF THE "GREEN BAY INCIDENT", AND THE LEVEL OF ITS EFFECTIVENESS HAS FALLEN, THE JCF HAS LONG BEEN RIDDLED WITH INCOMPETENT AND CORRUPT OFFICERS AND CONSTABLES. THE QUESTION TO BE ASKED NOW IS WHETHER OR NOT, IN LIGHT OF THE AUSTERITIES THE JAMAICAN PEOPLE HAVE NOW BEEN ASKED TO SHOULDER AND THE HARDSHIPS THESE AUSTERITIES MUST INEVITABLY ENTAIL, STRONG POLICE AND ARMY MEASURES ARE WHAT WILL BE NEEDED TO MAINTAIN STABILITY AND ORDER.

5. THE EFFECTIVENESS OF THE PROGRAM DEPENDS ON THE GOVERNMENT'S ABILITY TO FUNCTION EFFICIENTLY. IN ADDITION TO INGRAINED BUREAUCRATIC PROBLEMS WHICH HAVE LONG IMPEDED EFFICIENCY, THERE IS SOUND REASON TO THINK THAT THE MANLEY GOVERNMENT'S COHESIVENESS AND MORALE HAVE BEEN SIGNIFICANTLY REDUCED AS A RESULT OF ITS SHABBY ECONOMIC PERFORMANCE AND THE IDEOLOGICAL DEBATE WHICH HAS MARKED ITS SIX YEARS IN OFFICE. AS NOTED ABOVE, WE SEE NO PARLIAMENTARY CHALLENGE TO THE PNP, BUT IT IS POSSIBLE THAT IN THE AFTERMATH OF THE IMF AGREEMENT, THE DIFFERENCES SEPARATING THE MINORITY RADICAL AND MAJORITY MODERATE FACTIONS WILL SHARPEN. THEY COULD LEAD TO A SPLIT, LEAVING THE FIELD TO THE MODERATES; WHETHER SUCH A SPLIT MIGHT CARRY MANLEY OUT OF OFFICE IS DIFFICULT TO FORESEE, BUT THE
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POSSIBILITY CANNOT BE IGNORED. UNHAPPILY FOR JAMAICA, SUCH A SPLIT WOULD PROBABLY TAKE SEVERAL MONTHS TO DEVELOP (IT WOULD PROBABLY SURFACE AT THE PNP'S ANNUAL CONFERENCE, SCHEDULED FOR SEPTEMBER) AND THUS EFFORTS TO FULFILL THE IMF AGREEMENT COULD BE DELAYED. WE WOULD ANTICIPATE THAT IF A SPLIT TAKES PLACE, IT WOULD NOT BRING THE PNP DOWN BUT RATHER WILL FORCE THE JLP TO SHARE THE OPPOSITION BENCHES WITH THE PNP RADICALS, CONFIRMING ONCE AGAIN THE OLD SAW ABOUT POLITICS AND BEDFELLOWS.

6. WHATEVER THE GOVERNMENT SAYS AND DOES, JAMAICANS NOW REALIZE THAT THEY FACE A VERY DIFFICULT PERIOD. THE PERIOD OF CONDITIONING WHICH PRECEDED THE MAY 9 ANNOUNCEMENT HAS LED THEM TO RECOGNIZE THAT THEIR COUNTRY FACES A PERIOD OF CONSIDERABLE STRIGENCY. GOVERNMENT LEADERS CLAIM NO DEMOCRATIC SOCIETY IN TIME OF PEACE HAS BEEN IN SUCH A DIFFICULT SITUATION AS JAMAICA TODAY. CRITICS OF THE GOVERNMENT ARE QUICK TO REMIND LISTENERS THAT ANY SHORTAGES OR HARDSHIPS WHICH NOW EMERGE WILL NOT BE THE FAULT OF AN EXTERNAL ENEMY BUT OF THEIR OWN ELECTED REPRESENTATIVES. COMMENTING EDITORIALY ON MAY 10, THE "DAILY NEWS" WHICH DISPLAYS CONSIDERABLE SYMPATHY FOR THE GOVERNMENT ON MOST OCCASIONS ACKNOWLEDGES THAT THE GOVERNMENT MUST BEAR MUCH OF THE BLAME FOR THE COUNTRY'S PRESENT PLIGHT. HOWEVER, IT URGES A UNITED AND RESPONSIBLE EFFORT BY BOTH MAJOR PARTIES, BY CHURCHES, BY UNIONS, AND ALL RESPONSIBLE SEGMENTS OF JAMAICAN SOCIETY "TO COUNSEL THE FRUSTRATED, THE BITTER, EVEN THE TROUBLEMAKER .. LET US DECIDE HERE AND NOW THAT TAKING TO THE STREETS, DEMONSTRATING, LOOTING AND BURNING AND KILLING WILL NOT HELP THIS COUNTRY..." THE OUTCOME OF THE GOJ-IMF PACKAGE MAY VERY WELL DETERMINE HOW LONG MANLEY AND THE PNP STAY IN POWER. EVEN MORE IMPORTANT, A DEMOCRATIC POLITICAL
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STRUCTURE AND AN OPEN, PLURALISTIC SOCIETY ARE BEING SEVERELY
TESTED. WHAT COULD BE AT STAKE IS THE SURVIVAL OF
DEMOCRATIC INSTITUTIONS, AT LEAST FOR THE NEXT SEVERAL
YEARS, WITH EXTREMISTS AT BOTH ENDS OF THE SPECTRUM
READY TO TAKE OVER, SHOULD THE PROGRAM FAIL.
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